First Look Note | 3Q26

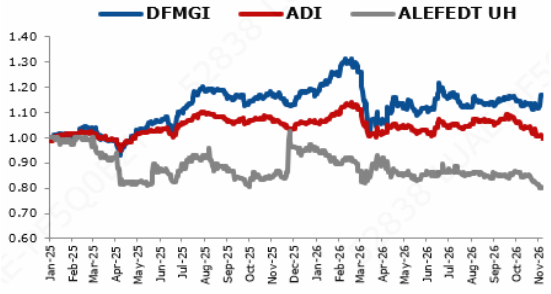
UAE Equity Research | Sector: Technology | Market: ADX

Alef Education Holding PLC

Higher revenue and cost discipline supported earnings growth

Current Price	Target Price	Upside/Downside (%)	Rating
AED 0.931	AED 1.45	+56%	BUY

- Core ADEK revenue reached AED 584 Mn in 9M26, with a contracted backlog of AED 5.4 Bn providing revenue visibility through 2033.
- Alef Education invested AED 47 Mn in capex during 9M26, compared to AED 45 Mn in 9M25, focusing on platform development and digital innovation.
- The Private Schools business served 111 schools and 103K active students in 3Q26, with enrolments expected to recover in 4Q26.
- Alef Education paid an interim dividend of AED 212.8 Mn, equivalent to 3.04 fils per share, during 3Q26, alongside the FY2025 final dividend of AED 224.0 Mn paid earlier in 2026.



Stock Information	
Market Cap (AED, Mn)	6,517.00
Paid Up Capital (Mn)	70.00
52 Week High	1.18
52 Week Low	0.91
3M Avg. daily value (AED)	838,230

3Q26 Result Review (AED, Mn)	
Total Assets	985
Total Liabilities	206
Total Equity	779
EBITDA	158
Net Profit	149

Financial Ratios	
Dividend Yield (12m)	8.44
Dividend Pay-out (%)	70.13
Price-Earnings Ratio(x)	12.98
Price-to-Book Ratio (x)	8.37
Book Value (AED)	0.11
Return-on Equity (%)	67.18

Stock Performance	
5 Days	0.43%
1 Months	-4.41%
3 Months	-5.00%
6 Months	-4.51%
1 Year	-6.34%
Month to Date (MTD%)	-0.75%
Quarter to Date (QTD%)	-6.81%
Year to Date (YTD%)	-15.36%

3Q26 Net Profit higher than our estimate

Alef Education Holding PLC (Alef Education/the Company) recorded 12.5% YOY growth in net profit to AED 149 Mn in 3Q26, higher than our estimate of AED 137 Mn. The increase in net profit was primarily driven by higher revenue, and interest income coupled with lower employee salaries and benefits, reduced amortisation of intangible assets, lower depreciation on property and equipment, lease expenses, legal and professional fees, and marketing expenses, partially offset by higher technology expenses, software licence expenses, other expenses and higher income tax expense.

P&L Highlights

Alef Education's revenue increased 13.1% YOY to AED 244 Mn in 3Q26, mainly driven by revenue growth from the Support & Services segment, while revenue from the Education Solutions segment remained broadly stable. Revenue from the Education Solutions segment stood at AED 170 Mn in 3Q26, broadly unchanged YOY, while revenue from the Support & Services segment increased to AED 74 Mn in 3Q26 from AED 46 Mn in 3Q25. Alef Education's total expenses increased 14.6% YOY to AED 86 Mn in 3Q26, primarily due to higher technology expenses, software licence expenses and other expenses, partially offset by lower salaries and other benefits, reduced amortisation of intangible assets, legal and professional fees, depreciation on property and equipment, lease expenses, and marketing expenses. Salaries and other benefits expenses decreased 6.5% YOY to AED 27 Mn in 3Q26, while technology expenses increased to AED 48 Mn in 3Q26 from AED 26 Mn in 3Q25. Software licence expenses increased 11.2% YOY to AED 7 Mn in 3Q26, while the Company recorded an amortisation reversal of AED 0.9 Mn in 3Q26 compared to amortisation expenses of AED 8 Mn in 3Q25. Legal

and professional fees decreased 21.8% YOY to AED 3 Mn in 3Q26, while lease expenses declined 28.0% YOY to AED 0.7 Mn in 3Q26. Depreciation on property and equipment decreased 11.1% YOY to AED 0.4 Mn in 3Q26. Marketing expenses decreased 41.9% YOY to AED 0.4 Mn in 3Q26, while other expenses increased to AED 0.8 Mn in 3Q26 from other income of AED 0.4 Mn in 3Q25. As a result, Alef Education's EBITDA increased 5.4% YOY to AED 158 Mn in 3Q26, with an EBITDA margin of 64.9% compared to 69.6% in 3Q25. Operating profit increased 12.3% YOY to AED 158 Mn in 3Q26. Alef Education's interest income increased 18.0% YOY to AED 6 Mn in 3Q26, while income tax expense increased 12.5% YOY to AED 15 Mn in 3Q26.

Balance Sheet Highlights

Alef Education's net cash flow from operating activities declined to AED 15 Mn in 3Q26 from AED 217 Mn in 3Q25. Cash & cash equivalents decreased significantly to AED 80 Mn in 3Q26, compared to AED 645 Mn in 2Q26. The Company remains debt-free, providing flexibility to self-fund expansion. Its capital expenditure increased to AED 47 Mn in 9M26 from AED 45 Mn in 9M25, primarily supporting platform development, innovation and new content and products.

Target Price and Rating

We maintain our BUY rating on Alef Education with a target price of AED 1.45. Alef Education's 3Q26 performance was supported by continued execution under the ADEK partnership, higher Support and Services revenue, and expanding B2B and B2G engagement. The Company reported EBITDA of AED 158 Mn in 3Q26, increasing 5.4% YOY, while EBITDA margin declined to 64.9% in 3Q26 from 69.6% in 3Q25, mainly due to higher IT setup costs associated with increased Support and Services revenue. Net profit increased 12.5% YOY to AED 149.0 Mn in 3Q26, with net profit margin moderating to 61.1% from 61.5% in 3Q25. The Company continued to benefit from long-term revenue visibility and a stable public-sector revenue base, supported by its ADEK contract secured through 2033, with a revenue backlog of c. AED 5.4 Bn. Revenue from the ADEK business reached AED 584 Mn in 9M26, supported by continued platform adoption across Abu Dhabi public schools. Support and Services revenue increased to AED 74 Mn in 3Q26 from AED 46 Mn in 3Q25, primarily driven by higher IT setup fees of AED 61 Mn in 3Q26 compared to AED 33 Mn in 3Q25, reflecting higher student numbers and inflation-linked increases in IT device pricing passed through to clients. The Private Schools business entered the 2026-27 academic year with c. 111 schools and 103K active student subscriptions as of 9M26, reflecting the ongoing reactivation of student accounts as schools confirmed enrolments. Alef Education expects the Private Schools active student and school base to recover materially in 4Q26 as enrolments are confirmed, supported by new school wins, cross-selling and upselling opportunities. The Company maintained its B2B and B2G expansion momentum, with five active contracts and an outstanding revenue backlog of c. AED 20.9 Mn, supported by a growing pipeline of government opportunities across the GCC, Africa and Central Asia. The Company strengthened its AI-powered education ecosystem by introducing Alef AI for Teachers, including Toki Studio, Magic Buttons and Generative Apps, through an expanded professional learning programme supporting 2,300 teachers ahead of the 2026-27 academic year. Alef Education also expanded Alef Pathways across Science, Arabic Reading and English Reading, introducing bilingual Science learning capabilities, PIRLS and TIMSS teacher guides, Present Mode and live classroom analytics to enhance personalised learning and classroom engagement. Miqyas Al Dhad moved closer to commercialisation, with core development completed and final validation of the text analyser in progress. The Company successfully conducted a proof of concept with the Sharjah Private Education Authority, covering 17K students across 54 schools, and reached advanced commercial discussions with two education authorities. Alef Education continued investing in platform development, digital infrastructure and product innovation, with capital expenditure of AED 47 Mn in 9M26 compared to AED 45 Mn in 9M25. The Company maintained a debt-free balance sheet, with cash and bank balances, including short-term deposits, of AED 430 Mn as of 3Q26, providing financial flexibility to support expansion and shareholder distributions. The Company highlighted the seasonal concentration of IT setup revenue between September and December, with stronger activity expected during 4Q26. The Company expects EBITDA and net profit to grow in line with revenue, supported by continued cost discipline and investment in platform enhancements. Alef Education paid an interim dividend of AED 212.8 Mn, equivalent to 3.04 fils per share, during 3Q26, alongside the FY2025 final dividend of AED 224.0 Mn paid earlier in 2026, reflecting its continued commitment to shareholder returns. Thus, based on the above-mentioned factors, we maintain our BUY rating on the stock.

Alef Education - Relative valuation[1]

(at CMP)	2024	2025	2026F
PE (x)	10.97	13.43	12.52
PB (x)	8.52	7.78	6.99
EV/EBITDA	11.75	10.61	10.13
BVPS	0.108	0.119	0.132
EPS	0.084	0.069	0.074
DPS[2]	0.096	0.096	0.064
Dividend yield	10.2%	10.2%	6.8%

FABS Estimates & Co Data

[1] Note – Alef Education listed on ADX in June 2024. Thus, the financial multiple for the prior period is unavailable. [2]Note – DPS is for free float shareholders [3]Note- DPS for 2026 is considering the 90% payout ratio attributed both to the founder and free float shareholders.

Alef Education – P&L

AED Mn	3Q25	2Q26	3Q26	3Q26F	Var	YOY Ch	QOQ Ch	2025	2026F	Change
Revenue	215	181	244	229	6.5%	13.1%	34.8%	769	826	7.3%
Salaries and other benefits	-29	-28	-27	-30	-11.8%	-6.5%	-4.5%	-112	-107	-4.6%
Technology expenses	-26	-6	-48	-24	NM	NM	NM	-61	-95	NM
Software licenses	-6	-7	-7	-8	-16.0%	11.2%	-0.6%	-27	-28	3.0%
Amortization for intangible assets	-8	-8	1	-12	NM	NM	NM	-33	-25	-24.8%
Legal and professional fees	-4	-2	-3	-5	-36.2%	-21.8%	24.9%	-13	-13	-1.9%
Depreciation on P&E	-0.5	-0.5	-0.4	-1	NM	-11.1%	-8.3%	-2	-3	NM
Lease expenses	-1	-1	-1	-1	1.4%	-28.0%	2.9%	-4	-4	0.0%
Marketing expenses	-1	-0.3	-0.4	-2	NM	-41.9%	28.3%	-3	-2	-3.6%
Other income/ (expense)	0	-1	-1	-3	NM	NM	-19.8%	-2	-2	-23.4%
Total Expenses	**-75**	**-55**	**-86**	**-86**	**-0.3%**	**14.6%**	**NM**	**-258**	**-280**	**8.5%**
EBITDA	**150**	**136**	**158**	**157**	**0.9%**	**5.4%**	**16.6%**	**551**	**574**	**4.3%**
EBIT	**141**	**126**	**158**	**143**	**10.5%**	**12.3%**	**25.2%**	**512**	**546**	**6.7%**
Interest income	5	4	6	8	-23.8%	18.0%	NM	17	21	24.8%
Profit before tax	**146**	**130**	**164**	**151**	**8.8%**	**12.5%**	**26.1%**	**529**	**567**	**7.3%**
Income Tax Expense	-13	-12	-15	-14	8.8%	12.5%	26.1%	-48	-51	7.4%
Net Profit	**132**	**118**	**149**	**137**	**8.8%**	**12.5%**	**26.1%**	**481**	**516**	**7.3%**

FABS estimate & Co Data

Alef Education - Margins

	3Q25	2Q26	3Q26	YOY Ch	QOQ Ch	2025	2026F	YOY Ch
Operating Profit	65.2%	69.7%	64.8%	-45	-496	66.5%	66.1%	-37
EBITDA	69.6%	75.0%	64.9%	-476	NM	71.6%	69.6%	-202
Net Profit	61.5%	65.4%	61.1%	-32	-424	62.5%	62.5%	-1

FABS estimate & Co Data

Key Developments:

- **25 February 2026:** Alef Education expanded its Private Schools business by signing agreements with five UAE private school groups, extending its AI-powered learning platform to more than 33,000 students across 28 schools.
- **24 March 2026:** Alef Education signed an MoU with AfricAI to launch the NextGen Learning Nigeria initiative, expanding its AI-driven digital education platform to support foundational education and improve learning outcomes across Africa.
- **22 May 2026:** Alef Education signed an MoU with TMRW Edtech to explore AI-powered education solutions across the GCC and MENA, combining AI-driven learning with advanced school management systems to accelerate digital transformation in education.
- **04 June 2026:** Alef Education completed the migration of its digital learning ecosystem to Microsoft Azure in collaboration with Microsoft and Core42, enhancing the scalability of its AI-powered platform while strengthening its global commercial partnerships and supporting more than 2.0 Mn students, 84K teachers and 19K schools worldwide.
- **09 June 2026:** Alef Education partnered with Zoud to deliver digital financial literacy programmes across UAE schools, providing 72 interactive lessons in English and Arabic to students in Grades 5–12, with the programme reaching 17.8K students across 111 schools since its launch.
- **18 August 2026:** Alef Education expanded its Alef Pathways solution across Science, Arabic Reading and English Reading, introducing bilingual Science learning capabilities to strengthen personalised education and improve student learning outcomes.

Valuation:

We use Discounted Free Cash Flow (DCF), Dividend Discount Model (DDM) and Relative Valuation (RV) to value Alef Education. We have assigned 70% weight to DCF, 15% weight to DDM and 15% to RV.

Valuation Method	Target	Weight	Weighted Value
DCF Method	1.60	70.0%	1.12
Dividend Discount Model (DDM)	1.50	15.0%	0.23
Relative Valuation (RV)	0.65	15.0%	0.10
Weighted Average Valuation (AED)			**1.45**
Current market price (AED)			0.931
Upside/Downside (%)			+56%

1) DCF Method:

Alef Education is valued using free cash flow to Equity. We have discounted the cash flow using the weighted average cost of equity of 8.9%. The cost of equity is calculated by using a 10-year government bond yield of 4.8%, a beta of 0.85 and an equity risk premium of 4.1%. Government bond yield is calculated after adding Abu Dhabi's 10-year spread over the 10-year US risk-free rate. Also, assumed a terminal growth rate of 3.0%.

Sum of PV (AED, Mn)	2,488
Terminal value (AED, Mn)	8,746
FV to Common shareholders (AED Mn)	**11,234**
No. of share (Mn)	7,000
Current Market Price (AED)	0.931
Fair Value per share (AED)	**1.60**

DCF Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Net Income	516	553	608	667	772	833
D&A	28	49	48	47	48	49
Net Capex	-36	-38	-40	-42	-45	-48
Change in working capital	-19	-17	-21	-16	-29	-4
Free Cash Flow to Equity (FCFE)	**489**	**547**	**595**	**656**	**746**	**830**
Discounting Factor	*0.92*	*0.84*	*0.77*	*0.71*	*0.65*	*0.60*
Discounted FCFE	**112[1]**	**461**	**461**	**467**	**488**	**499**

Source: FAB Securities, [1]Adjusted for partial year

2) DDM Method:

Alef Education maintains a policy to declare regular dividends to shareholders in the forecasted period. The Company intends to distribute dividends semi-annually, with the initial payment occurring in the first half of the year and the subsequent payment in the second half. The dividends are expected to be paid in cash. Alef Education intends to distribute 90% of its net profit as dividends. The dividend is forecasted based on the management estimate. All forecasted dividends are discounted to present value using the cost of equity. Details related to the cost of equity calculation are provided above. We have also calculated our terminal growth rate of 3.0%.

Sum of PV (AED, Mn)	2,603
Terminal value (AED, Mn)	7,900
Equity Value (AED, Mn)	**10,503**
No. of shares (Mn)	7,000
Current Market Price (AED)	0.931
Fair Value per share (AED)	**1.50**

DDM Method

(All Figures in AED Mn)	FY 2026E	FY 2027E	FY 2028E	FY 2029E	FY 2030E	FY 2031E
Dividend paid in -						
H1	232	249	274	300	348	375
H2	232	249	274	300	348	375
Total dividend	**465**	**497**	**548**	**601**	**695**	**750**
Discounting Factor	*0.92*	*0.84*	*0.77*	*0.71*	*0.65*	*0.60*
Present Value of Dividend	**427**	**420**	**424**	**427**	**455**	**450**

Source: FAB Securities

3) Relative Valuation:

We have used an average of EV/EBITDA and P/E multiple to value Alef Education. It is valued at a 2027 P/E multiple of 9.2x and an EV/EBITDA multiple of 5.7x, in line with peers.

Company	Market (USD Mn)	EV/EBITDA (x)		P/E (x)	
		2026F	2027F	2026F	2027F
Blackbaud Inc	2,438	6.9	6.5	10.3	9.0
Stride Inc	3,156	5.9	4.9	10.5	9.3
3P Learning ltd	59	3.5	0.0	8.3	0.0
D2L Inc	196	9.7	7.3	38.8	16.4
ELM	12,959	16.6	14.6	20.0	17.7
Coursera Inc	981	1.2	1.1	5.9	6.7
Average		**7.3x**	**5.7x**	**15.6x**	**9.9x**
Median		**6.4x**	**5.7x**	**10.4x**	**9.2x**
Max		**9.0x**	**7.1x**	**17.6x**	**14.6x**
Min		**4.1x**	**2.0x**	**8.8x**	**7.3x**

Source: FAB Securities

Research Rating Methodology:

Rating	Upside/Downside potential
BUY	Higher than +15%
ACCUMULATE	Between +10% to +15%
HOLD	Lower than +10% to -5%
REDUCE	Between -5% to -15%
SELL	Lower than -15%

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